

Message Text

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ACTION AID-20

INFO OCT-01 EA-11 ADP-00 EB-11 COME-00 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 FAA-00 DODE-00 PM-09 RSR-01 /067 W

----- 065070

R 300730 Z APR 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 926

C O N F I D E N T I A L SAIGON 7460

E. O. 11652: GDS

TAGS: ETRN, VS

SUBJECT: CONTINENTAL AIR SERVICES

FOR NOOTER FROM WHITEHOUSE

1. CONTINENTAL AIR SERVICES REPRESENTATIVES VISITED ME LAST WEEK TO COMPLAIN ABOUT RECENT DAO DECISION TO TERMINATE THEIR AIR SUPPORT CONTRACT WITH DOD CONTRACTORS. THIS DECISION WAS TAKEN BECAUSE OF VERY SUBSTANTIAL SAVINGS IN CONTRACT COSTS WHICH CAN BE REALIZED FROM CONSOLIDATION OF MISSION AND CONTRACTOR AIR SUPPORT IN SINGLE UMBRELLA CONTRACT. CONTINENTAL HAD NOSE OUT OF JOINT BECAUSE THEY LEARNED OF DECISION ONLY INDIRECTLY FROM CONTRACTORS WHO REPORTED THEY HAD BEEN INSTRUCTED TO FLY AIR AMERICA ONLY. CONTINENTAL OFFICIALS CLAIMED THEY COULD BE COMPETITIVE WITH AIR AMERICA IF GIVEN A CHANCE AND NOTED THATVVN HAS NEVER AUTHORIZED AIR AMERICA TO HANDLE CONTRACTOR AIR SERVICES WHICH CONTINENTAL AUTHORIZED TO DO ON BASIS LONG- STANDING JOINT VENTURE WITH AIR VIETNAM. FINALLY, CONTINENTAL OFFICIALS INDICATED THEY WOULD RAISE ISSUE IN WASHINGTON IF NECESSARY AND MADE IT CLEAR THEY WOULD TRY TO MAKE AN ISSUE OF AIR AMERICA' S QUESTIONABLE STATUS AS PRIVATE COMPANY IN CONTRAST TO THEIR SIMON- PURE STATUS.

2. SUBSEQUENT TO MEETING, I DISCUSSED ISSUE WITH DAO AND AGREEMENT WAS REACHED TO EXTEND CONTINENTAL CONTRACT WITH FEDERAL ELECTRIC THROUGH THE END OF JUNE AND CONTINENTAL HAS BEEN SO
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INFORMED. MORE IMPORTANTLY, I BELIEVE THE QUESTION NEEDS TO BE

ADDRESSED OF WHETHER CONTRACT WITH AIR AMERICA SHOULD BE
RENEWED THROUGH FY 74, OR WHETHER BIDS SHOULD BE SOLICITED FOR
FY 74 AIR SERVICE REQUIREMENTS. SINCE AIR AMERICA CONTRACT HAS
BEEN EXTENDED THROUGH SEPTEMBER, THERE WOULD APPEAR TO BE
ADEQUATE
TIME IN WHICH TO REVIEW SITUATION CAREFULLY TO SEE IF CHANGED CON-
DITIONS HERE NOW PERMIT SOLICITING BIDS. EVEN IF IT IS UNLIKELY THAT
CONTINENTAL OR ANY OTHER COMPANY CAN COMPETE WITH AIR AMERICA IN
SUCH SOLICITATION IF NOTION OF CONSOLIDATING AIR SERVICES IS ADHERED
TO AS SEEMS FISCALLY PRUDENT, IT MAY NEVERTHELESS BE
DEFIRABLE TO ALLOW CONTINENTAL A COMPETITIVE CRACK AT THE CONTRACT.

3. WE REALIZE THAT THIS PROBLEM IS ONE WHICH WILL HAVE TO BE WORKED
OUT WITH THE OTHER INTERESTED AGENCIES AND DEPARTMENTS, BUT WE
WOULD BE INTERESTED TO RECEIVE YOUR INITIAL REACTION.
BUNKER

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*** Current Classification *** CONFIDENTIAL

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